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The Director of Central Intelligence

Washington, D.C. 20505

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National Intelligence Council

NIC 03158-85  
19 June 1985

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

FROM: David B. Low  
National Intelligence Officer for Economics

SUBJECT: Nicaragua: The Dying Private Sector

1. The NID article this morning (see copy attached) records a significant shift in the Sandinista approach to the private sector in my view. In a 20 July 1983 memorandum which I wrote for you on the Nicaraguan economy, it was stated:

"We believe the Sandinistas intend eventually to squeeze out the private sector and to establish a Marxist-Leninist economy. The regime is not moving in this direction recklessly, however, because it recognizes that the managerial and technical skills of the business community are necessary and not readily replaced. In addition, the government recognizes that swift action to nationalize all private holdings would meet with disapproval among many important Western aid donors."

2. In the February 1985 NIE "Nicaragua: Prospects for Sandinista Consolidation," there is further reference to the "ultimate intention of sharply reducing the role of the private sector after an indefinite period of tactical alliance." The Key Judgments state that the government is likely to target private sector leaders in an effort to intimidate them and reduce their opposition political role. On the other hand, in the text it states:

"Managua will want to avoid large or dramatic new takeovers because of its concern about maintaining a mixed-economy facade to avoid unnecessary alienation of Western creditors and world opinion."

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3. Last Friday's expropriations, including more than 3,000 acres of rich coffee and cotton lands belonging to the president of Nicaragua's leading business association (taken without compensation), certainly seem to me to be a dramatic takeover and a clear signal that the "tactical alliance" is no longer perceived to be necessary by the Sandinistas. Domestically, this will have the effect of accelerating government control of economic activity, further impairing any remaining potential for private sector revitalization and encouraging emigration by the remaining private sector technical and managerial talent. Internationally, it should be recognized by aid donors and political supporters of Managua as evidence of the abandonment of the facade of a mixed economy.



David B. Low

Attachment:  
As Stated

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NIO/Econ/David Low:r

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